

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **ARGENTINA**

# **PROGRAM FOR SOCIAL PROTECTION AND MITIGATION OF THE IMPACT OF THE CRISIS ON THE POOR II**

**(AR-0296)**

## **EMERGENCY LOAN PROPOSAL**

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## **BASIC SOCIOECONOMIC DATA**

For basic socioeconomic data on Argentina please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

## INFORMATION AVAILABLE IN THE RE1 TECHNICAL FILES

### **Preparation:**

“Metodología para la selección de programas sociales y protegidos” [Methodology for selecting protected social programs], September 2002, Miguel Braun (consultant).

“Evaluación del gasto educativo durante la última década” [Evaluation of education spending over the last decade], August 2002, Juan Pablo Jiménez (consultant).

“Análisis del gasto previsional en salud” [Analysis of social spending on health services], Oscar Cetrángulo (consultant).

“Protección del Gasto Social” [Protecting social spending], Miguel Braun and Emmanuel Abuelafia (consultants), CIPPEC.

“Estudio Síntesis de Lineamientos al Desarrollo Económico y Social de Argentina: gasto social y sustentabilidad fiscal” [Summary study of guidelines for economic and social development in Argentina: social spending and fiscal sustainability], Luis Beccaria, Oscar Cetrángulo, and Juan Pablo Jiménez (consultants).

## ABBREVIATIONS

CAPS	Primary Health Care Centers
CNCPS	National Social Policy Coordination Council
COFESA	Federal Health Council
EPH	Permanent Household Survey
FOPAR	Participatory Social Investment Fund
GDP	Gross domestic product
GEC	Executive Coordination Group
IDB	Inter-American Development Bank
IDH	Income for Human Development (program)
IMF	International Monetary Fund
IVSPE	Index of Socioeconomic Vulnerability of the School Population
LIBOR	London Interbank Offered Rate
MDS	Ministry of Social Development
OC	Ordinary Capital
PAMI	Comprehensive Medical Care Program
PEA	Emergency Food Program
PNBE	National Student Scholarship Program
PPSAN	Public Social Spending by the National Administration
PROMIN	Maternal and Child Health and Nutrition Program
PSP	Priority Social Programs
RUB	Single Registry of Beneficiaries
SIEMPRO	Social Program Information, Monitoring, and Evaluation System
SINTYS	National Taxpayer and Social Identification System
SISFAM	Single System for Identification and Registration of Social Program Beneficiary Families
VIGIA	Health Surveillance Program



# ARGENTINA

## IDB LOANS

APPROVED AS OF OCTOBER 31, 2003

	US\$Thousand	Percent
<b>TOTAL APPROVED</b>	<b>18,990,626</b>	
DISBURSED	16,020,628	84.36 %
UNDISBURSED BALANCE	2,969,999	15.63 %
CANCELATIONS	1,952,369	10.28 %
PRINCIPAL COLLECTED	7,044,298	37.09 %
<b>APPROVED BY FUND</b>		
ORDINARY CAPITAL	18,296,670	96.34 %
FUND FOR SPECIAL OPERATIONS	644,906	3.39 %
OTHER FUNDS	49,050	0.25 %
<b>OUTSTANDING DEBT BALANCE</b>	<b>8,976,330</b>	
ORDINARY CAPITAL	8,838,650	98.46 %
FUND FOR SPECIAL OPERATIONS	136,349	1.51 %
OTHER FUNDS	1,331	0.01 %
<b>APPROVED BY SECTOR</b>		
AGRICULTURE AND FISHERY	858,817	4.52 %
INDUSTRY, TOURISM, SCIENCE AND TECHNOLOGY	933,674	4.91 %
ENERGY	1,893,762	9.97 %
TRANSPORTATION AND COMMUNICATIONS	1,008,651	5.31 %
EDUCATION	1,266,234	6.66 %
HEALTH AND SANITATION	1,442,781	7.59 %
ENVIRONMENT	31,332	0.16 %
URBAN DEVELOPMENT	1,017,339	5.35 %
SOCIAL INVESTMENT AND MICROENTERPRISE	2,702,064	14.22 %
REFORM AND PUBLIC SECTOR MODERNIZATION	7,542,596	39.71 %
EXPORT FINANCING	203,401	1.07 %
PREINVESTMENT AND OTHER	89,975	0.47 %

\* Net of cancellations with monetary adjustments and export financing loan collections.



# ARGENTINA

## STATUS OF LOANS IN EXECUTION AS OF OCTOBER 31, 2003

(Amount in US\$ thousands)

APPROVAL PERIOD	NUMBER OF PROYECTS	AMOUNT APPROVED*	AMOUNT DISBURSED	% DISBURSED
<b><u>REGULAR PROGRAM</u></b>				
Before 1997	10	1,778,801	1,513,049	85.06 %
1997 - 1998	13	1,946,500	807,534	41.49 %
1999 - 2000	8	757,500	149,209	19.70 %
2001 - 2002	5	1,645,000	783,768	47.65 %
2003	3	86,050	10	0.01 %
<b>TOTAL</b>	<b>39</b>	<b>\$6,213,851</b>	<b>\$3,253,570</b>	<b>52.36 %</b>

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\* Net of cancellations. Excludes export financing loans.





Inter-American Development Bank  
Regional Operations Support Office  
Operational Information Unit

## Argentina

### Tentative Lending Program

2003

Project Number	Project Name	IDB US\$ Millions	Status
AR0295	Social Protection and Reduction of the Impact of the Crisis	1,500.0	APPROVED
AR0279	Rio Negro Province Productive Modernization.	51.9	APPROVED
AR0292	Support Integrated Development Tourism Sector in Salta Province	34.1	APPROVED
AR0296	Social Protection and Reduction of the Impact of the Crisis II	400.0	
Total - A : 4 Projects		1,986.0	
TOTAL 2003 : 4 Projects		1,986.0	

2004

Project Number	Project Name	IDB US\$ Millions	Status
AR0232	Strategy Design at the National and Provincial Levels	20.0	
AR0290	Social Area Reform Sector Program	700.0	
Total - A : 2 Projects		720.0	
AR0285	Buenos Aires City Subway Phase I	150.0	
Total - B : 1 Projects		150.0	
TOTAL - 2004 : 3 Projects		870.0	

Total Private Sector 2003 - 2004 0.0  
Total Regular Program 2003 - 2004 2,856.0

\* Private Sector Project

**PROGRAM FOR SOCIAL PROTECTION AND MITIGATION OF THE  
IMPACT OF THE CRISIS ON THE POOR II**

**(AR-0296)**

**EXECUTIVE SUMMARY**

<b>Borrower and guarantor:</b>	Argentina	
<b>Executing agency:</b>	Ministry of Economic Affairs and Production	
<b>Amount and source:</b>	IDB (OC-Emergency Lending Facility):	US\$400 million
	Total:	US\$400 million
<b>Financial terms and conditions:</b>	Amortization period:	5 years
	Grace period:	3 years
	Disbursement period:	18 months
	Interest rate:	Six-month U.S. dollar LIBOR +400 basis points per annum
	Front-end fee:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollar
<b>Objectives:</b>	The program's objective is to provide fast-disbursing funding to support the government's measures to preserve macroeconomic stability. A concurrent goal will be to make certain that public spending on national social service delivery programs targeting low-income groups is maintained at adequate levels and made more efficient and effective. Lastly, the program will ensure continuity of measures intended to prevent erosion in health, education, and social development policies.	
<b>Description:</b>	The program is structured as a single disbursement that will be triggered by fulfillment of the conditionality agreed with the government. Those conditions are concentrated in social areas that are critical for mitigating the impact of the crisis on poor and vulnerable groups, and are divided into actions and programs under the following four components: (i) agreement on and effective operation of a stabilization program with the International Monetary Fund (IMF); (ii) protection of spending on priority social programs; (iii) support for	

making social policies more efficient and monitoring their implementation; and (iv) support for strategic advances in health, education, and social development. The government's commitments under this program are reflected in a Conditionality Matrix (Annex I). Protection of spending on Priority Social Programs (PSPs) amounts to 1.002 billion Argentine pesos (Arg\$), representing 1.95% of estimated total national government expenditure for 2003, 2.94% of total social spending, and 7.40% of social spending excluding social insurance. The PSPs account for 13.08% of targeted national social spending. Within individual ministries, the PSPs represent 15.83% of spending by the Ministry of Social Development, 13.76% for the Ministry of Health, and 8.95% for the Ministry of Education (see paragraphs 2.6 and 2.7).

**The Bank's  
country and  
sector strategy:**

The Bank's country strategy identifies poverty reduction and improvements in living standards as essential social priorities. Consistent with these priorities, the Bank's support for government efforts to deal with the economic and social crisis has focused on adjusting the operation program so as to: (i) protect social spending, while recognizing the need for tighter fiscal restraint; (ii) support economic recovery through loans to the productive sectors and through provincial reforms under the new agreement with the national government; and (iii) help sustain policy reforms (see paragraph 1.43).

In keeping with this strategy, the Board of Executive Directors approved the reformulation and reorientation of the Bank's social sector portfolio in March 2002, redirecting it to five social projects consistent with the country's Social Emergency Plan, for a total of US\$694.2 million. Management has provided five quarterly reports to the Board of Executive Directors on the progress of the reoriented social portfolio, the last of which showed that, as of June 2003, 89% of the coverage target for the entire year had been achieved.

In May 2002, the Bank allocated a total of US\$2.5 billion for emergency loans to support the country's efforts to reduce poverty and to sustain social policy during the economic and financial crisis (document CS-3487). That emergency support strategy is closely coordinated with the programs that have been agreed between the country and the IMF during this period. Under the Transitional Program with the Fund, which was in effect during the period from January to August 2003, the Bank provided support to Argentina through Emergency Loan I in the amount of US\$1.5 billion (loan 1452/OC-AR), for the dual purpose of mitigating the social impact of the crisis by protecting spending under Priority Social Programs, and fulfilling the agreements governing the flow of funds between the country and international financial institutions. This operation, referred to hereafter as Emergency Loan II, is based on the same principles as the previous one, and is part of a new, medium-term program agreed on

with the new authorities and initiated in September 2003. The US\$2.5 billion figure originally estimated for emergency loans to Argentina has been reduced in light of the most recent estimates, which indicate that less financing is needed; therefore the full amount previously estimated will not be used (see paragraph 1.46).

**Coordination  
with other  
official  
development  
institutions:**

The Bank's proposed support to Argentina by way of this program has been dimensioned with due regard to the support the World Bank is currently examining with the country. There has been ongoing dialogue with World Bank specialists and officers to ensure complementarity and avoid overlapping of activities.

Likewise, there has been continuing dialogue with IMF officials. One feature of the proposed program is that disbursements are contingent, *inter alia*, upon negotiation and implementation of a stabilization program with the IMF (see paragraph 2.2).

**Environmental  
and social  
review:**

Consistent with the features of emergency loans, this operation will protect spending on existing programs, and does not call for any new investments. It will therefore have no direct impact on the environment, and consequently does not require an environmental impact assessment. Moreover, the actions relating to education, health, and social development policy to which the government is committed under this operation form a part of activities that already comply with the environmental policies of Argentina and the Bank, and no additional analysis is required (see paragraph 4.6).

On the social impact side, the program is expected to help protect spending on programs targeted at poor and vulnerable groups and thereby help alleviate poverty in the environment created by the emergency. Although the operation will be protecting social spending and furthering the Argentine government's efforts to strengthen its social strategy and policy, under the Bank's emergency lending guidelines it does not qualify as a poverty targeted or social equity enhancing operation (see paragraph 4.7).

**Benefits:**

The expected benefits of the program will derive from the countercyclical nature of the activities it will support, including: (i) mitigating the impact of the crisis on the poorest population groups; (ii) preventing cuts in health, education, and social development programs for those groups; and (iii) supporting the reforms now under way (see paragraph 4.1).

Budget protection for the PSPs will help avoid further deterioration in the situation of the country's most vulnerable people, who have been severely affected by the crisis. Furthermore, strengthening the government's new social strategy will help ensure a key aspect of

poverty reduction, which is the functioning of the instruments used to prioritize, coordinate, rationalize, and target the main social protection programs for the very poor.

Better targeting and coordination of programs for the most vulnerable groups, and improvements to participatory instruments, will boost the relevance of the activities and increase the impact of such programs on social integration and on living standards for beneficiary families. Concentrating the institutional response and emergency programs on the neediest families will also prevent increases in child labor, infant morbidity, and school dropout rates, and thereby help to break the intergenerational perpetuation of poverty (see paragraph 4.3).

**Risks:**

Because the loan calls for a single disbursement, and all the conditions stipulated in the Conditionality Matrix have been substantially fulfilled, there are no risks that would threaten the achievement of the program's objectives or the complete disbursement of funds. Nevertheless, the operation's design includes elements that extend beyond the disbursement period, because policy actions and the protection of PSP spending will have to be sustained for some time after the funds have been fully disbursed (see paragraph 1.54). There is therefore a risk that, because they are not tied to a loan disbursement and are to be financed through budget appropriations, some of those actions will not materialize. To mitigate the risk of budgetary reallocations or cutbacks in investment commitments, the validity of Administrative Decision 12 (13 February 2003) has been confirmed. That decision guarantees budgetary allocations to the PSPs, and stipulates that only the Cabinet Chief can make budgetary amendments involving the PSPs. Moreover, the policy letter establishes the government's commitment to maintain PSP allocations until the end of the year, and to extend them to the 2004 budget.

With income transfer programs, such as some of those protected by this loan, it can be difficult to suspend benefits once recipients regain their sources of income. To mitigate this risk, the operation stresses the use of targeting mechanisms, identification of beneficiaries, a single registry of recipients, and other means to facilitate automatic cutoff of benefits for those who no longer meet the conditions of eligibility. The social oversight mechanisms supported by the loan will also help civil society to ensure that beneficiaries who are no longer eligible will leave the programs (see paragraphs 4.4 and 4.5).

**Special contractual clauses:**

The first and only disbursement under this loan will be contingent upon fulfillment of: (i) the standard contractual conditions precedent to first disbursement; (ii) the policy conditions found in the Conditionality Matrix (Annex I); and (iii) submission of evidence that the Executive Coordination Group (GEC) for the program is continuing to function, and that its members have all been appointed (see paragraphs 3.9 and 3.10).

**Social equity and poverty reduction classification:**

While the operation will protect social spending and support strategic actions in the social sectors, under the Bank's emergency lending guidelines (document GN-2031-10), it does not qualify as a poverty targeted or social equity enhancing program (see paragraph 4.7).

**Exceptions to Bank policy:**

None.

## **I. FRAME OF REFERENCE**

### **A. Macroeconomic framework**

#### **1. Recent trends**

- 1.1 Argentina has suffered a crisis of dimensions never before experienced in its modern history, as a consequence of a series of factors that made its economy highly vulnerable to shifts in the international economic framework, and to its own internal dynamics. This profound crisis required emergency measures to be taken, and it can only be overcome in the medium term. In 2002, gross domestic product (GDP) fell by 10.9%, bringing the cumulative decline in per capita GDP since mid-1998 to roughly 23%, and plunging more than half of the population below the poverty line. At the same time, unemployment climbed from 12.4% in October 1998 to a record level of 21.5% in May 2002. Recent estimates suggest that GDP growth in 2003 should be around 7%, indicating that recovery has begun. Unemployment has been gradually falling, and in May 2003, under the impact of the emergency programs, it stood at 15.6%, according to figures from the National Statistics and Census Institute (INDEC). It is estimated that the economy would have to grow by between 4% and 4.5% annually merely to absorb the increase in the labor force.
- 1.2 Thanks to the implementation of appropriate macroeconomic policies, market confidence has increased, and the political transition in May 2003 took place smoothly. The first half of the year saw the first signs of recovery in economic growth and relative stability in financial markets, as reflected in a deceleration of capital flight which, together with maintenance of a significant current-account surplus, allowed a build-up of reserves. During 2003, recovery has been driven primarily by consumption and investment, thanks to a combination of factors including a sharp decline in the inflation rate, lower interest rates, less volatility in the exchange rate, and the beginnings of recovery in employment levels and in real wages.
- 1.3 The country achieved a record trade surplus of US\$11.4 billion in the first eight months of the year, despite relatively higher growth of imports from their low levels of 2002. Capital goods and intermediate goods accounted for most of the increase in imports. Exports are projected to rise by 12%, and imports by 46%, in 2003.
- 1.4 In the same period, the peso appreciated by 12%, although in real terms its value is still 40% below the level of the 1990s. The steep devaluation of the peso in 2002 had a relatively modest impact on prices, which have posted diminishing monthly increases since May 2002. Cumulative inflation in 2002, as measured by the consumer price index (CPI), was 41%, while annualized cumulative inflation as of October 2003 was 3.2%.

- 1.5 There has also been some recovery in private bank deposits, which after dropping from Arg\$72.598 billion in January 2002 to Arg\$56.155 billion in July of that year, rose to Arg\$75.698 billion in August 2003. This has made possible the full release of demand deposits (*corralito*) and reprogrammed term deposits (*corralón*).
- 1.6 Interventions by the Central Bank (BCRA) to counter financial instability and economic uncertainty caused reserves to shrink from US\$19.551 billion at the end of January 2002 to less than US\$9 billion in July of that year—a decline of more than 50%. Since then, exchange markets have gradually returned to normal, and reserves have recovered: on 8 September 2003 they stood at US\$13.621 billion.
- 1.7 On the fiscal front, the nonfinancial public sector has been running a primary surplus since May 2002 (0.5% of GDP during 2002, 0.8% in the first quarter of 2003, and approximately 1.2% in the second quarter), reflecting higher tax revenues in nominal terms and a steady nominal level of primary spending. In financial terms, the public sector showed a deficit of Arg\$4.549 billion (1.3% of GDP) in 2002, lower than that of the preceding year (Arg\$8.719 billion or 3.2% of GDP), thanks to lower debt service payments resulting from the default to private creditors, and the increase in tax revenues through withholdings on exports and the tax on bank credits and debits.
- 1.8 Yet this growth will not be sustainable unless the country can resolve its structural problems. Among the most pressing matters are to resolve the suspension of payments on the public debt to private creditors, establish clear rules for rescuing the banking system, reach a new federal-provincial agreement on fiscal relations that will guarantee medium- and long-term fiscal sustainability, and overcome the unfavorable investment climate. A more permanent solution to these uncertainties must be found if economic agents are to make long-term investment decisions. As excess productive capacity is reabsorbed, investments will be needed for expansion, and this will require a recovery of credit to the economy. As well, if the economy does not recover at a sufficient pace to reabsorb the unemployed, social demands are likely to rise, and this could also compromise execution of fiscal and monetary policies.
- 1.9 The challenge facing the government in the short term is to ensure that it has adequate economic policy instruments, by developing transparent mechanisms for regulating markets and establishing clear rules for resolving disputes arising from breach of contract. Resolving macroeconomic vulnerabilities and strengthening public and private institutions will be indispensable for achieving economic growth with social justice, as the country so urgently needs.

## **2. The agreement with the International Monetary Fund (IMF)**

- 1.10 The medium-term agreement Argentina negotiated with the International Monetary Fund and approved by the IMF Executive Board on 20 September 2003 includes a



fiscal framework for achieving growth, employment, and social equity objectives, while providing a favorable basis for normalizing relations with all creditors and ensuring debt sustainability. The program contains a strategy for strengthening the banking system and facilitating bank lending, which is essential to support the recovery. It includes institutional reforms for restructuring corporate debt, resolving outstanding issues with government enterprises, and, in the end, improving the investment climate.

- 1.11 The Letter of Intent establishes the objective of achieving a primary surplus of 3% for 2004, a figure that is to be adjusted for 2005 and 2006 in accordance with changes in the main macroeconomic indicators, and it outlines the terms of a monetary policy that will keep price increases within a range of 4% to 7% annually. For 2003, GDP is expected to grow by 5% to 6%, while the forecast for 2004-2006 averages 4%.
- 1.12 The IMF program also provides a framework within which multilateral development agencies will conduct their activities in Argentina. During the 36 month life of the program, multilateral agencies are expected to provide sufficient financing to maintain constant their nominal exposure in the country.

## **B. The social situation and policy response**

### **1. Poverty and social inequality**

- 1.13 Poverty and indigence rates reached historically high levels in October 2002, when they stood at 57.5% and 27.5%, respectively. Those figures illustrate clearly the depth of the crisis unleashed in December 2001, especially when compared to October 2001 levels (35.9% and 11.6% respectively). In absolute terms, during that short period more than 4.5 million people in Greater Buenos Aires alone, or more than 12% of the national population, joined the ranks of the poor, and 3.5 million became indigent. It is important to note that most of the poor and indigent are children and young people. Three out of every four children under 14, and two of every three young people, live in poor or indigent households.
- 1.14 The poverty outlook has improved slightly in 2003. The May 2003 Permanent Household Survey (EPH) found that poverty and indigence rates had declined to 54.7% and 26.3%, respectively. Despite this improvement, those figures show the persistence and the severity of the crisis. That severity can be better appreciated by taking the figures for May 1998, the year in which the economic slowdown began: the number of persons living below the poverty line in May 2003 is 113% greater than in May 1998.
- 1.15 The improvement that has begun to appear in 2003 can be attributed to the combined impact of incipient economic recovery and the government's emergency programs. The economic turnaround is reflected in GDP growth of 7.6% between

the second quarter of 2002 and the second quarter of 2003. While that figure is encouraging, GDP is still lower than it was in 1996. At the same time, the social safety net offered by the country's emergency plan reached its greatest coverage during this period. That plan included targeted social protection programs such as the Heads of Household Plan, the Income for Human Development (IDH) program, the National Student Scholarship Program (PNBE), the *Remediar* Program, and the Emergency Labor Plan (PEL). It is estimated that these programs are helping approximately 2.5 million families.

- 1.16 The first stirrings of economic recovery have also had an impact in terms of increasing job supply, reducing the unemployment rate, and raising wages. According to the Permanent Household Survey, the unemployment rate was 15.6% in May 2003, 27% lower than in May 2002. In addition to recovery-induced job creation, the decline in unemployment reflects an increase in the provision of Heads of Household plans, which in September 2002 covered 2 million beneficiaries. Yet, in a medium-term perspective, the May 2003 unemployment rate was at the same level as the rate for May 2000, and 18% higher than that recorded in May 1998, before the economic slowdown began.
- 1.17 Even with economic recovery, reducing poverty in Argentina will require a better distribution of income. Although income inequality declined by 19% between May 2002 and May 2003, the current level of inequality is such that the share of total income accruing to the highest decile is 24.7 times that for the lowest decile, a relationship equal to that of May 2000, and 8% higher than in 1998. The 2001 crisis merely reinforced a longer-term trend toward a worsening of income distribution in the country. Taking the period 1992-2001, Argentina saw the sharpest deterioration in income distribution (7.7 Gini points) of any country in South America, followed by Venezuela (nearly 4 Gini points), while other countries had lower losses, such as Bolivia, Chile, Ecuador, Peru, Uruguay, and Paraguay. Colombia saw no significant change, while Brazil experienced slight improvements.

## **2. Government social spending**

- 1.18 The trend in Public Social Spending by the National Administration (PSSNA) shows the priority that the government has given to its social protection strategy during the crisis, by sustaining the level of social spending even at a time when greater resources had to be allocated to debt service, by redistributing expenditure in favor of the poor and indigent, and by increasing its effectiveness through the use of targeting mechanisms. For 2003, the PSSNA accounts for 61.14% of national public expenditure, which represents an increase of 6.8% in real terms over 2002. This figure is higher than the average PSSNA for the last 20 years.
- 1.19 Budgets have been increased for universal programs that benefit the poor, at the expense of Social Security spending, which is of exclusive benefit to the formal sector. Compared to 2002, the PSSNA for 2003 includes a real increase of 17% in

social spending (education, health, water supply and sewage, social advancement and assistance, etc.) and a reduction of more than four percentage points in Social Security spending.

- 1.20 Lastly, the government has sought to boost the redistributive impact and the effectiveness of social spending, by strengthening targeted social assistance programs, including those that make monetary and nonmonetary transfers, as described in paragraph 1.15. In real terms, targeted spending rose by 26.5% from 2002 to 2003.
- 1.21 Among the targeted programs, the one with the greatest budget is the Heads of Household Plan, which receives 50% of the entire 2003 targeted-program budget. This program makes cash transfers to beneficiaries whose counterpart contribution is to engage in some kind of labor activity. Within the Ministry of Social Development, the targeted program with the largest budget is the Noncontributory Pension Plan, followed by the Income for Human Development (IDH) program—together they account for 15% of the total targeted-program budget.
- 1.22 In the Ministry of Health, the emergency health program is the targeted program with the largest budget, and is designed to provide generic drugs to people eligible for assistance at primary health care centers (CAPS). In the Ministry of Education, the largest targeted program is the student scholarship program, intended to increase student retention and promotion rates and raise the quality of instruction.

## **C. Argentina's strategy in the health, education, and social development sectors**

### **1. Poverty reduction policy**

- 1.23 In 2000, the poverty reduction portfolio consisted of some 60 uncoordinated social programs under various ministries, including Social Development, Labor, Health, Education, Infrastructure and Housing, and Economic Affairs and the Cabinet Office. With the outbreak of the 2001 economic crisis, the country had no effective system of social protection and for this reason, the government responded by establishing an Social Emergency Plan that helped to contain the emerging social unrest and to address the most pressing social situations, such as the lack of jobs, food, and medicines for the most vulnerable population groups.
- 1.24 To this end, available funding at the national level was reoriented and concentrated in emergency "megaprograms," to provide immediate assistance to families at greatest risk. The most significant of these programs have been the Unemployed Heads of Household Plan of the Ministry of Labor, and the Income for Human Development (IDH) or "Families" Plan of the Ministry of Social Development. An Emergency Food Program (PEA) was also introduced that transfers funds to the provinces as cofinancing for food assistance programs, and the Participatory Social Investment Fund (FOPAR), which supplements the PEA by financing food through

community kitchens. In the health field, the *Remediar* program was instituted to provide free drugs to poor people without social insurance. In education, the Student Scholarship Program was expanded, as part of compensatory policies for overcoming inequalities in the education system, which affect the poorer sectors most severely.

- 1.25 To facilitate the coordination of efforts to overcome the crisis at the national, provincial, and municipal levels, and to increase the efficiency of social policy management and monitoring, the National Social Policy Coordination Council (CNCPS) was established.
- 1.26 The new administration that took office in May 2003 launched a process of wider scope, intended to institute an efficient and sustainable system of social protection. The government is now rationalizing the use of existing resources and programs, and is remedying the lack of coordination among them. Within this strategy, the poorest families constitute the focus around which activities and programs are articulated. Programs are being linked to the productive system, under a model that gives priority to productive investment, public works, and employment, and that seeks to have a nationwide impact for a more equitable distribution of income. This policy is based on a concept of poverty reduction that, in order to be sustainable, will have to strengthen the social net at the provincial, municipal, and neighborhood levels, improve stakeholder participation, and create social capital.
- 1.27 In this context, the Federal Social Policies Network has been established to articulate existing social programs around three broad themes: emergency food assistance, local development and the social economy, and human development. The network embraces various social ministries and includes initiatives at the provincial and local levels, as well as those of civil society organizations (CSOs) and the private sector. Provincial, Municipal and Neighborhood Advisory Councils have been created, with representatives of CSOs and religious, business, and labor groups, to oversee the awarding of allowances and ensure that they reach their beneficiaries.

## **2. Mechanisms for monitoring social policy**

- 1.28 The Social Program Information, Monitoring, and Evaluation System (SIEMPRO) is responsible for monitoring the government's social programs, at the national, provincial, and local levels. The ultimate goal of SIEMPRO's regular monitoring of programs is to provide continuously up-to-date information to program managers and social policymakers.
- 1.29 The Single System for Identification and Registration of Social Program Beneficiary Families (SISFAM) is an integral part of SIEMPRO, and was designed as a social policy monitoring instrument intended to improve the identification and registration of beneficiaries of social programs for poor and socially-vulnerable

groups. The SISFAM is also responsible for updating and controlling the quality of the databases, and has been in operation since 1996, with IDB financing, through the Program in Support of Vulnerable Groups (PAGV) and the Program for Children and Youth at Risk (PROAME). Under the present program, SIEMPRO/SISFAM has an important role to play in ensuring that social programs actually reach the poorest groups, that there is no duplication of benefits, and that families no longer receive benefits once they cease to be eligible.

### 3. Health

- 1.30 The health system covers virtually 100% of the population, through three separate subsystems: “social works” (national or labor union-based, provincial, and PAMI), prepaid medicine, and the public safety net. Social works are financed with contributions from workers and employers, and benefit workers in the formal sector, as well as retirees and pensioners. The prepaid medicine program serves the highest income segment, which today is reduced to a very small percentage of the population. Lastly, the public safety net, which was decentralized to the provincial level in 1993, covers low-income groups and those least protected and most vulnerable.
- 1.31 With the economic crisis and the consequent rise in unemployment, many of the beneficiaries of social works and the members of prepaid medicine schemes have left the system and turned to the public sector for assistance. Between 1997 and 2001, the uninsured portion of the population rose from 36% to 42%. This meant that the public health system had to cover a growing number of persons with less funds because of the crisis, at a time of growing shortages of basic inputs and essential drugs. At the same time, people's capacity to pay, and therefore to obtain drugs, was severely limited.
- 1.32 In response to this crisis, in March 2002 an Emergency Health Decree was approved, creating the *Remediar* program to provide essential drugs to low-income people through primary health care centers (CAPS). The Ministry of Health also sought to provide needed inputs to public hospitals and to maintain the coverage of health programs such as those for prevention and treatment of infectious diseases, which are regarded as public goods that bring high and positive externalities.
- 1.33 This strategy has been successful. The *Remediar* program covers 11 million people with free provision of essential drugs. According to an assessment by SIEMPRO, 92% of beneficiaries are poor and 65% are indigent. Moreover, in the program's first 10 months of operation, the availability of drugs in the CAPS led to an increase of more than 25% in outpatient consultations in those centers, thereby reducing the demand on hospitals. The government has also succeeded in maintaining the coverage of basic programs, such as the Expanded Programme of Immunization (EPI) and the program for prevention and treatment of communicable diseases.

- 1.34 The challenge now facing the national authorities is to consolidate public health policies adopted under the emergency health program, and to preserve the progress achieved, primarily in terms of access to medicines and the strengthening of primary care. The government is moving forward on these issues, through the Primary Health Care Program (1193/OC-AR), which is supporting a new primary care model in the Province of Cordoba, and a new World Bank loan that will finance maternal-child care insurance for low-income groups.

#### **4. Education**

- 1.35 In Argentina, virtually the entire population between the ages of 5 and 12 is enrolled in primary school. According to the May 2002 Permanent Household Survey (EPH), enrollment for this group has continued to rise, from 98.7% in 1999 to 99.4% in 2002. The enrollment rate for students of secondary school age is also high, having risen from 93.8% in 1998 to 96.1% in 2002 for the group ages 13-14, and from 75.4% to 83.2% for the group ages 15-17.
- 1.36 The most recent data on enrollment figures are those from the 2002 EPH, which suggest that the crisis had no impact either on school access or attendance, and that enrollment remained at pre-crisis levels. Moreover, school attendance among the poor tended to increase. Between 1999 and 2002, enrollment for five-year-olds from poor families rose from 88.1% to 93.1%, that for the 13-14 age group from 93.8% to 96.1%, and that for 15-17 years from 75.4% to 83.2%. Evidence gathered from families shows that in 2002 they responded to the crisis by keeping their children in school, but by reducing or entirely eliminating spending on school supplies.<sup>1</sup>
- 1.37 Among the poorest students, the predominant pattern is one of repeating two or more years, and then dropping out of school. In the total population ages 6 to 14, 21% have repeated at least one grade, and are therefore still stuck in primary school. Yet while 9.5% of the highest income quintile is behind in this respect, the figure for the poorest quintile is 30.5%. EPH data from 1999 confirm that those who fail to graduate are typically low-income students, and in fact fewer than half of youngsters in the poorest quintile will successfully complete the nine years of basic education, compared to 93% for the richest quintile.
- 1.38 The challenge for the coming years is to guarantee an appropriate level of quality for all schools, and particularly for those attended by low-income students, to prevent the level of learning from declining and hence deepening the pattern of multiple repetitions and school dropouts. The Bank is supporting programs and investments to achieve these objectives through the Priority Social Programs, spending for which has been protected in this operation and in the operation

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<sup>1</sup> "El impacto de la crisis en el proceso educativo en Argentina" [The Impact of the Crisis on the Education Process in Argentina], Working Paper 3/03, February 2003.

financed by loan 1345/OC-AR, which will help to restore the level of national investment in the education system.

## **5. Social development**

- 1.39 The portfolio of programs of assistance and advancement for the most vulnerable population groups, under the Ministry of Social Development (MDS), consisted of some 25 programs targeted at various groups that were either poor, indigent, or vulnerable by reason of gender, ethnic origin, or age. To assist this population during the crisis, the previous government redirected spending into three lines of action: food aid, housing assistance, and income transfers. This gave rise to a social safety net based on a short-term intervention strategy for matching existing institutional capacities with the most pressing needs of the target population during the crisis.
- 1.40 The MDS is currently evaluating this portfolio in light of shifting socioeconomic conditions, and from a longer-term perspective. Among the efforts under way to enhance the efficiency and impact of its portfolio, the MDS will organize existing programs around three central themes: (i) local development and social economy; (ii) food security; and (iii) human development and the family.
- 1.41 Under the first theme, the National Plan for Local Development and Social Economy (PNDLyES) will cover income transfer programs, including the Heads of Household Plan, which was formerly under the Ministry of Labor. For the medium term, the MDS is designing strategies not only to alleviate but to overcome poverty, by linking allowance programs to employment opportunities. Under the second theme, the National Food Security Plan will establish mechanisms for identifying beneficiaries, so that priority under these programs can be accorded to families with children under 14, pregnant women, people suffering from malnutrition, the disabled, and seniors living in socially unfavorable conditions and nutritionally at risk. Lastly, the National Family Plan will meet the needs of the most vulnerable social groups through specific programs for children, teenagers, youth, the elderly, the disabled, unemployed heads of households, and others. These programs include the IDH and the Program for Children and Youth at Risk (PROAME), both of which receive funding from the Bank.
- 1.42 The challenge facing the government is to achieve effective coordination of social programs, both at the national and the local level, and thereby enhance their efficiency and effectiveness. To this end, local management capacities will be strengthened through the advisory councils, so that provincial and municipal entities, civil society organizations, and representatives of potential beneficiaries can participate actively in assessing and formulating their own development plans.

#### **D. The Bank's strategy**

- 1.43 The Bank's country strategy identifies poverty reduction and improvements in living standards as essential social priorities. Consistent with these priorities, the Bank's support for government efforts to deal with the economic and social crisis has focused on adjusting the operation program so as to: (i) protect social spending, while recognizing the need for tighter fiscal restraint; (ii) support economic recovery through loans to the productive sectors and through provincial reforms under the new agreement with the national government; and (iii) help sustain policy reforms.
- 1.44 In keeping with this strategy, the Board of Executive Directors approved the reformulation and reorientation of the Bank's social sector portfolio in March 2002, redirecting it to five social projects consistent with the country's Social Emergency Plan, for a total of US\$694.2 million. Management has provided five quarterly reports to the Board of Executive Directors on the progress of the reoriented social portfolio, the last of which showed that, as of June 2003, 89% of the coverage target for the entire year had been achieved.
- 1.45 In May 2002, the Bank allocated a total of US\$2.5 billion for emergency loans to support the country's efforts to reduce poverty and to sustain social policy during the economic and financial crisis (document CS-3487). That emergency support strategy is closely coordinated with the programs that have been agreed between the country and the IMF during this period. Under the Transitional Program with the Fund, which was in effect during the period from January to August 2003, the Bank provided support to Argentina through Emergency Loan I in the amount of US\$1.5 billion (loan 1452/OC-AR), for the dual purpose of mitigating the social impact of the crisis by protecting spending under Priority Social Programs, and fulfilling the agreements governing the flow of funds between the country and international financial institutions. This operation, referred to hereafter as Emergency Loan II, is based on the same principles as the previous one, and is part of a new, medium-term IMF program agreed on with the new authorities and initiated in September 2003.
- 1.46 The US\$2.5 billion figure originally estimated for emergency loans to Argentina has been reduced in light of the most recent estimates, which indicate that less financing is needed; therefore the full amount previously estimated will not be used.

#### **E. Experience and lessons learned**

- 1.47 The Bank now has considerable experience in emergency sector lending in countries such as Argentina, Brazil, Colombia, and Peru. According to an assessment by the Office of Evaluation and Oversight (OVE) (RE-251-Rev.), these emergency packages, delivered in coordination with the IMF and World Bank, have: (i) brought short-term calm to financial systems; (ii) injected liquidity into the



economy; (iii) strengthened reforms that are expected to spur economic growth in the long term; and (iv) helped preserve funding for social programs that are key by virtue of their content and targeting.

- 1.48 Preparation of this Emergency Loan II has incorporated lessons learned from other loans of this kind, such as the Social Protection and Sustainability Program for Uruguay (1417/OC-UR), from which was taken the definition of targets for protecting expenditure by sector, instead of overall targets for the social sector, and the idea of supporting the continuity of progress with existing reforms in order to avoid backsliding, instead of insisting on new reforms. The idea of protecting financial and physical targets by program was taken from Emergency Loan I, in order to ensure their fulfillment independent of inflationary fluctuations, and to protect programs that are part of the reoriented social portfolio.

## **F. Rationale**

- 1.49 To leave room for dialogue with the new authorities who were to be elected in May 2003, the country and the Bank agreed that the full amount of emergency lending would be channeled through two emergency loans. Emergency Loan I supported the country during the most critical period of the emergency, under the transitional government that was in office until May 2003. The present loan, Emergency Loan II, will support the recently elected authorities in their short-term strategy to alleviate the impact of the crisis on poor families, and also in their medium- and long-term strategy, which is to put together a sustainable social policy that will allow the country to extricate itself from poverty and build social capital.
- 1.50 Although the data suggest that the most acute period of the crisis is now over, the deterioration in living standards means that there is still a very high percentage of poverty and indigence, and that a social safety net is needed to help alleviate the effects of the crisis. This loan will continue to support the country's efforts to mitigate the impact of the crisis on the poorest groups, and to implement longer-term measures towards a sustainable social policy that will give people the means to lift themselves permanently out of poverty.

## **G. Continuity with Emergency Loan I**

- 1.51 Emergency Loan II maintains continuity with Emergency Loan I, by protecting expenditure on PSPs already identified and supporting continuity in sectoral policies and in the monitoring of the social policies agreed under the previous loan.
- 1.52 For Emergency Loan I, the second disbursement was made upon demonstrated fulfillment of the sectoral policy conditions and the physical and financial targets for the PSPs for the first quarter of 2003. The commitments assumed by the government, however, covered the entire year 2003, as was established in the policy letter for that operation. Those commitments, relating both to sectoral policy and to

PSP physical and financial targets, were adjusted in light of the medium- and long-term strategy of the new authorities.

- 1.53 Thus, the conditionality selected and the adjustments to the PSPs and their physical and financial targets reflect both the policy agenda that the government has been implementing so far to cope with the emergency, and the agenda that the new authorities clearly intend to pursue from a medium- and long-term perspective. This means that the degree of appropriation of the program by those who will be responsible for its implementation is very high.
- 1.54 Emergency Loan II will consist of a single disbursement, upon demonstrated fulfillment of the physical and financial targets for the third quarter of 2003, backed by the country's commitment, set out in the policy letter, to maintain the continuity of policy and expenditure for programs protected by the operation during the fourth quarter of 2003.
- 1.55 The commitments contained in the Conditionality Matrix for the first quarter of 2003 were satisfactorily fulfilled. In particular, the physical targets were exceeded, and performance against the financial targets for the education, health, and social development PSPs was 104% of the agreed amount.
- 1.56 In the second quarter, only 64% of the targets agreed under Emergency Loan I were fulfilled, because the change of government during that quarter involved the turnover of personnel and the interruption of bidding procedures, thereby affecting the continuity of program execution. The targets that have been set for the third and fourth quarters have been adjusted in light of the social policy objectives of the new authorities, and in general they exceed the original physical and coverage targets.

## **II. THE PROGRAM**

### **A. Objective**

- 2.1 The program's objective is to provide fast-disbursing funding to support the government's measures to preserve macroeconomic stability. A concurrent goal will be to make certain that public spending on national social service delivery programs targeting low-income groups is maintained at adequate levels and made more efficient and effective. Lastly, the program will ensure continuity of measures intended to prevent erosion in health, education, and social development policies.

### **B. Program structure**

- 2.2 The program is structured as a single disbursement that will be triggered by fulfillment of the conditionality agreed with the government. Those conditions are concentrated in social areas that are critical for mitigating the impact of the crisis on poor and vulnerable groups, and are divided into actions and programs under the following four components: (i) agreement on and effective operation of a stabilization program with the IMF; (ii) protection of spending on Priority Social Programs; (iii) support for making social policies more efficient, such as coordination and articulation of programs by the National Social Policy Coordination Council (CNCPS), updating the systems for social program beneficiary information and registration, beneficiary targeting and selection, program evaluation, and social oversight; and (iv) support for strategic advances in health, education, and social development. The government's commitments under this program are reflected in a Conditionality Matrix (Annex I).
- 2.3 The conditions have been fulfilled; the proposed loan can therefore be disbursed once it is approved by the Bank's Board of Executive Directors, the loan contract has been signed, and the standard contractual conditions for first disbursement, and the conditions precedent to any disbursement, have been fulfilled.

#### **1. Agreement and implementation of a program with the IMF**

- 2.4 The objective of this component is to ensure that the loan is executed as part of a macroeconomic stabilization program backed by the IMF and subject to its periodic supervision. The IMF program currently in effect was approved by the IMF Executive Board on 20 September 2003, and calls for quarterly reviews throughout its duration. An IMF mission is now in Argentina reviewing compliance with the terms of the agreement, and the results of that initial review are expected to be put to the IMF Executive Board in mid-December.

## **2. Protection of priority social programs (PSP)**

- 2.5 The objective of this component is to guarantee the availability of funding for timely implementation of PSPs intended to mitigate the impact of the crisis on the poor and vulnerable population. The program will protect nonwage budgetary expenditure for PSPs in education, health, and social development that were protected under Emergency Loan I. The following criteria will be used for selecting the PSPs: (i) targeting; (ii) coverage; (iii) transparency and citizen participation; and (iv) obligations on allowance recipients. The list of protected PSPs and their physical and financial targets is shown in Annex II. As with Emergency Loan I, the expenditure level to be protected was set based on the physical targets for program coverage.
- 2.6 The total amount protected is Arg\$1.002 billion, which is lower than the amount protected under Emergency Loan I, (Arg\$1.457 billion), because of the following factors, among others: (i) the actual inflation rate (4%) was far below the projected rate (23%), meaning that the prices of consumer goods, which represent a high proportion of protected expenditure, were lower than those calculated; and (ii) the peso/dollar exchange rate was lower than that forecast in the 2003 national budget (there, a rate of 3.63 pesos to the dollar was assumed, while the actual rate was about 20% lower). This latter factor affects primarily programs with a high import component, such as those under the Ministry of Health.
- 2.7 Of protected PSP expenditure for 2003, 29% corresponds to the Ministry of Education, 34.2% to the Ministry of Health, and 36.8% to the Ministry of Social Development. Budgetary analysis shows that PSP spending to December 2003 represents 1.95% of estimated total national government expenditure for 2003, 2.94% of total social spending, and 7.40% of social spending excluding social insurance. The PSPs account for 13.08% of targeted national social spending (Table II-1).
- 2.8 Within individual ministries, the PSPs represent 15.83% of estimated spending by the Ministry of Social Development, 13.76% for the Ministry of Health, and 8.95% for the Ministry of Education.

**Table No. II-1**  
**Protected expenditure as a percentage of national expenditure**  
**(in Arg\$)**

	<b>Execution 2003</b>
Total PSP	1,002,194,659
PSP Health	342,779,636
PSP Education	290,993,172
PSP Social development	368,421,851
PSP/Total spending	1.95%
PSP/Social spending	2.94%
PSP/Social spending, excl. Social Security	7.40%
PSP Health/Health spending	13.76%
PSP Education/Education spending	8.95%
PSP Social dev./Social dev. spending	15.83%
PSP/Targeted social spending	13.08%

- 2.9 In the **health sector**, the protection of selected programs under the previous loan has been maintained: these are programs targeted at poor and vulnerable groups, as well as universal programs that provide public goods or have positive externalities. Those programs include: (i) maternal-child care and reproductive health; (ii) the Health Surveillance Program (VIGIA), which covers the immunization program, tuberculosis treatment, and vector-borne diseases such as Chagas and dengue fever; (iii) prevention and treatment of AIDS and other sexually transmitted diseases (LUSIDA program); and (iv) the *Remediar* program.
- 2.10 In **education**, this operation will continue to protect spending under national programs providing targeted support for schools attended by low-income students, such as: (i) programs to foster quality and equity in the primary schools; (ii) scholarships for secondary school students; (iii) school infrastructure; and (iv) the educational quality information and evaluation system. The project to decentralize and improve secondary education (PRODYMES), protected under the previous loan, has been excluded, because procedures for transferring funding to the schools were slower than expected, and targets for the current school year will not be met.
- 2.11 In **social development**, there will be continued protection for programs targeted at highly vulnerable areas such as: (i) the Participatory Social Investment Fund (FOPAR), which finances community kitchens; and (ii) the Income for Human Development (IDH) program, which transfers cash to poor families against commitments to health and education activities, and finances community activities to help families meet those obligations. As with Emergency Loan I, the Heads of Household Plan will not be protected, because it is covered by Resolution 82/2002, whereby the Minister of Economic Affairs instructs the Ministry of Finance to reallocate funds from other social programs to the Heads of Household plan.

### 3. Boosting the efficiency of social policy

- 2.12 This operation will provide further support for efforts to enhance the efficiency of social policies and to avoid erosion of previous reforms in terms of the coordination and comprehensiveness of policies and programs. To consolidate and expand social program benefits, there must be greater coordination within and between sectors and appropriate mechanisms to ensure transparency and accountability and to foster participation by civil society in the monitoring and oversight of social programs.
- 2.13 The following measures will be supported: (i) introduction of local coordination mechanisms for social policies; (ii) consolidation of the Single Registry of Beneficiaries (RUB) and an instrument for making local use of information from the National Taxpayer and Social Identification System (SINTYS); (iii) development of information tools for planning social policy at the local level; (iv) updating of the beneficiaries registry for allowance programs (including Heads of Household and IDH programs); (v) strengthening and expanding the capacities of the Social Program Information, Monitoring, and Evaluation System (SIEMPRO) for social characterization and evaluation; and (vi) strengthening social participation and oversight mechanisms included in the program.

### 4. Supporting strategic progress in sector policies

- 2.14 In **health**, the policy condition is intended gradually to transform the *Remediar* program from an emergency health program into one that will ensure permanent access for low-income people to essential drugs, and will strengthen the provision of primary care services to that population. To this end, the Ministry of Health will prepare a preliminary proposal for strengthening primary care. That proposal includes the signature of management commitments with health services networks that will include explicit targets and incentives for achieving them, such as the provision of drugs. The proposal will be submitted to the Federal Health Council (COFESA), comprising provincial health ministers, in order to initiate dialogue on the country's primary health care strategy.
- 2.15 Conditionality in **education** is designed to increase the redistribution effect of funds allocated to the schools, by improving targeting mechanisms. The Index of Socioeconomic Vulnerability of the School Population (IVSPE), constructed under Emergency Loan I, will be validated so as to identify poor schools by measuring the income level of the student body. At the same time, an action plan will be worked out to make school-specific data and academic failure indicators from the IVSPE available to the technical units of the Ministry of Education, for use in targeting technical assistance and educational inputs.
- 2.16 Conditionality relating to **social development** is intended to strengthen local management capacities, so as to avoid duplicating government efforts in overcoming social exclusion. To this end, forums will be established where civil

society and the public can participate in setting priorities, and the management capacities of provincial and municipal agencies will be strengthened as a means of generating social capital. Participatory diagnoses will be undertaken to develop local social plans to be financed under existing social programs.

**C. Cost and financing**

- 2.17 The Emergency Loan II has been dimensioned in a manner consistent with the support that the IMF and World Bank have agreed to provide, and amounts to US\$400 million, to be disbursed in one tranche. It will be subject to the financial conditions for emergency loans using the Bank's Ordinary Capital.

### **III. PROGRAM EXECUTION**

#### **A. Nature of the operation**

- 3.1 The proposed program fits the special emergency lending guidelines approved by the Board of Executive Directors in June 2002 (GN-2031-10). The central aim of such operations is to provide timely financial support to countries to help contend with the aftermath of financial crises and mitigate their impact on the poorest and most vulnerable groups, protecting funding for social programs targeted at those segments and preserving gains achieved thus far in social policies. The loan will involve a single disbursement, contingent upon fulfillment of the conditions contained in the Conditionality Matrix (Annex I), and reflected in the loan contract, as well as the conditions referred to in paragraph 3.10 of this document.

#### **B. Executing agency**

- 3.2 In light of the successful experience with the institutional framework designed for Emergency Loan I, and the greater degree of institutional stability and continuity that the country is achieving, the same execution structure will be retained for Emergency Loan II.
- 3.3 The program executing agency will be the Ministry of Economic Affairs and Production, through the Economic Policy Secretariat, which is institutionally responsible for formulating the country's economic policy and for the general coordination of the preparation and execution of emergency projects and structural and sector adjustments.
- 3.4 During program execution, the Economic Policy Secretariat will have the technical support of the National Social Policy Coordination Council (CNCPS), which reports to the Office of the President, and that of the various line ministries responsible for executing the respective components (Health, Education, Science and Technology, and Social Development) and of SIEMPRO/SISFAM, the CNCPS arm responsible for maintaining social databases and for monitoring and evaluating national social programs.
- 3.5 The program's institutional architecture echoes the organizational structure of the national executive branch, in which the Economic Policy Secretariat is charged with economic policy development (including coordination of work with other executive branch agencies and formulation of the national budget, which must be consistent with the fiscal and monetary program) and the CNCPS coordinates national social policy, working closely with the respective line ministries.



**C. Execution and administration**

- 3.6 An Executive Coordination Group (GEC) will be set up for overall coordination, administration, execution, and monitoring of the program. It will supervise the program as a whole to see that its objectives and targets are achieved as planned and on schedule. In its role as liaison with the Bank, it will verify the fulfillment of conditions and execution of the contract.
- 3.7 Heading the GEC will be a general coordinator to be appointed by the Economic Policy Secretariat, with a deputy coordinator designated by the CNCPS and technical officers to be appointed by the respective line ministries and by SIEMPRO/SISFAM. The general coordinator will be the Argentine government's interlocutor with the Bank, with responsibility for compiling and delivering technical, legal, administrative and financial-accounting information required for the program's complete and timely implementation and for disbursement of the loan.

**D. Execution period and disbursement schedule**

- 3.8 The loan will be for US\$400 million, and will be subject to the normal financial terms and conditions for emergency loans from the Bank's Ordinary Capital. The terms and conditions of the loan are set out in the following table.

Table III-1

Amount: IDB (OC)	US\$400 million
Amortization period:	5 years
Grace period:	3 years
Disbursement period:	18 months
Interest rate:	Six-month U.S. dollar LIBOR +400 basis points per annum
Front-end fee:	1%
Credit fee:	0.75%

**E. Conditions for release of funds**

- 3.9 All of the agreed conditionals for this loan, as set forth in Annex I (of which Annexes II and III are part), were verified and fulfilled prior to submission of the operation for consideration by the Bank's Board of Executive Directors. Consequently, the disbursement will be made in a single tranche as soon as the operation has been approved by the Board, the contract has been signed, and the standard contractual conditions for first disbursement, and the conditions precedent to any disbursement, have been fulfilled.
- 3.10 In addition to the conditionality agreed and detailed in the Conditionality Matrix, and the standard conditions precedent to disbursement, a further condition calls for

evidence that the program Executive Coordination Group (GEC) is continuing to function and that its members have all been appointed. This last condition has also been fulfilled satisfactorily.

- 3.11 For each of the conditions contained in the Conditionality Matrix, objective means of verification have been agreed, as detailed in Annex III. The policy actions contained in the Conditionality Matrix have been performed in accordance with those means of verification.
- 3.12 With respect to the physical and financial targets established for PSPs in the education, health, and social development sectors, budgetary allocations were broken down by program and by activity in order to facilitate their monitoring (Annex II). The following guidelines were taken into account to establish clear, reasonable, objective, transparent ex ante criteria on how the Bank would assess whether or not the targets have been “substantially” achieved.
- 3.13 A minimum acceptable “floor” has been set for meeting the physical and financial targets. The financial target “floor” is 85%, by program, and the physical target “floor” is 75%, by activity. This will leave a margin in case one activity’s implementation falls short of the agreed target—provided at least 75% of the physical target is achieved—so that it can be offset by higher levels of execution of other activities within the same program, the aim being to maintain a minimum acceptable level of financial execution for each program.<sup>2</sup>
- 3.14 The flexibility of this methodology makes it possible to take into account factors that may directly affect PSP execution and that are difficult to quantify, such as: (i) the high degree of macroeconomic uncertainty; (ii) the menu of programs offered including new programs for which there is no prior execution experience, as is the case with the IDH and the kits, and other programs that have been virtually quadrupled in coverage (such as the student scholarships); and (iii) disruption in PSP performance because of the change of government.
- 3.15 All of the physical targets were met in accordance with the above criteria, which is a very satisfactory performance, considering that, in the context of this program, priority was given to physical coverage targets over the financial targets, which had to adjusted to the physical targets for programs and activities. In terms of the financial targets, all the programs satisfactorily met the agreed expenditure levels as of 30 September 2003, except for the *Remediar* and IDH programs; they did not enter evidence into the Integrated Financial Data System (SIDIF) that 85% of the target had been fulfilled until 5 November 2003 (those levels were reached on 16 and 15 October 2003, respectively).

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<sup>2</sup> The idea is to achieve physical targets by activity and financial targets by program, because activities and programs are mutually complementary (in most cases) and not substitutable for purposes of the benefits basket offered to poor families and other vulnerable groups.

**F. Monitoring and ex post evaluation of the program**

- 3.16 **Monitoring social programs.** As part of its regular functions, SIEMPRO will monitor the PSPs using a variety of mechanisms. This work will be complemented by SISFAM, by identifying, selecting, and registering beneficiaries, controlling databases, and delivering information to the responsible executing units and agencies. With monitoring of the PSPs by SIEMPRO/SISFAM, it will be possible to identify any execution irregularities and make adjustments as necessary to maintain the required levels of efficiency.
- 3.17 **Monitoring the reoriented social portfolio.** Programs included in the reoriented social portfolio, such as the *Remediar*, IDH, and student scholarship programs, are closely monitored. Such monitoring has allowed the performance of programs to be evaluated as they are being executed, and this has been very useful to the executing units for adjusting ongoing operational aspects and making programs more efficient. An independent firm has been hired to help identify key monitoring indicators and critical aspects of execution. As described in the quarterly reports submitted to the Board of Executive Directors, monitoring the portfolio has played an important role not only in making program execution more efficient but also in undertaking the necessary operational adjustments in an emergency setting. The information that this monitoring approach produced on the three programs included in the reoriented portfolio was crucial to the design of the present operation.
- 3.18 **Social monitoring system.** In parallel to the Social Emergency Plan, and at the suggestion of the *Mesa de Dialogo Argentino* (roundtable), a Social Monitoring System has been established, coordinated by the United Nations Development Programme (UNDP) with financial and technical support from the World Bank and the IDB. The objective is to ensure that social assistance, including that financed through international lending and cooperation, is channeled directly to beneficiaries, with the greatest transparency and under the most rigorous social supervision. This initiative has produced the Social Monitor, constituted by a consortium of 53 civil society organizations selected through a national competitive process, designed to facilitate citizen participation in monitoring and supervising the social emergency programs. In this way, the basis has been laid for building individual, group, community, institutional, and local capacity for monitoring public funds to ensure that they are allocated and used transparently, effectively, and equitably. At the same time, public opinion is one of the inputs for subsequent evaluation of the programs that make up the social emergency plan.
- 3.19 **Ex post evaluation.** As requested by the Bank's Board of Executive Directors when it approved Emergency Loan I in January 2003, an evaluation plan has been designed and put into effect for assessing the outcomes and combined impacts of Emergency Loans I and II over a period that extends beyond their relatively short execution phases. Consistent with the Bank's ex post evaluation policy (document GN-2254-5), the evaluation will be done using the borrower evaluation guidelines

- (OA-242) and, in the case of the scholarship program, in consultation and coordination with the Office of Evaluation and Oversight (OVE).
- 3.20 Consistent with the foregoing, the evaluation plan is being prepared jointly by the government and the Bank: the government is contributing data collected through SIEMPRO and other official bodies, while the Bank is financing data analysis and systematization of outcomes. Under this approach, the government has agreed to provide the Bank, during the first quarter of 2004, with information and databases at a sufficient level of disaggregation for defining the experimental and control groups.
- 3.21 The evaluation plan is intended to: (i) analyze intermediate outcomes and aggregate impacts for the two programs (Emergency Loans I and II); and (ii) evaluate the intermediate outcomes and impacts of a sample of protected PSPs.<sup>3</sup> A general outline of the evaluation is shown in Table III-2, which makes clear the linkage between protection of specific outputs of three PSPs directly related to delivery of essential social services (immunization, scholarships for children and youth, and cash transfers to poor families) and intermediate outcomes and expected impacts. While the outputs are measured up to 2003, the aggregate outcomes and impacts will be measured over a longer period, 2002-2005.
- 3.22 The sample of PSPs to be evaluated individually in light of their intermediate outcomes and impacts consists of the following three PSPs: (a) the “Families” program (IDH component), which is intended to raise incomes for structurally poor groups; (b) the National Student Scholarship Program, intended to prevent poor and extremely poor students from dropping out of school; and (c) the *Remediar* Program, to provide essential drugs to the poor and uninsured. These programs were selected in light of: (i) their scope of coverage and volume of budgetary allocations in 2003; (ii) their potential for innovation in the social sector; and (iii) the expected contribution of these evaluations to a broader dialogue between the Argentine government and the Bank, as well as to the design of future interventions in the social sector. The proposed methodologies, implementation plans, and terms of reference for these evaluations were prepared as part of Emergency Loan I.

## **G. Policy letter**

- 3.23 Given the proposed structure of the program, which calls for a single disbursement and provides effective protection for PSPs only during the third quarter of 2003, the

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<sup>3</sup> Analysis of intermediate outcomes and aggregate impacts of the programs starts from the hypothesis that short-term protection of outputs for some key individual programs will have a positive influence on the generation of outcomes and broader (aggregate) impacts in the protected subsectors (education, health, and social protection). Importantly, this hypothesis does not assume causality, since the outcome and impact indicators agreed with the government are sensitive to many factors in addition to the actions and programs included in these operations.

Argentine authorities have also committed themselves, in the policy letter, to maintaining budgetary protection as agreed with the Bank for the whole of 2003, and to follow the policy lines referred to in that letter (Annex IV). The agreed protection covers the same percentage of low-income beneficiaries and other vulnerable groups through all quarters of 2003. This commitment was spelled out in the 2003 Budget Law, and ratified by Administrative Decision 12, which protects budgetary items earmarked for the PSPs, and stipulates that only the Cabinet Chief can make budgetary amendments involving the PSPs. The policy letter also establishes the government's commitment to maintain budgetary protection in 2004 and to pursue policies substantially similar to those agreed for 2003.

**H. Disbursement of funds**

- 3.24 The borrower will deposit the loan proceeds in a separate and specific bank account, with the proviso that those funds may not be used to purchase items on the negative list, or for the procurement of goods from nonmember countries of the IDB.

**I. Accounting records**

- 3.25 The borrower will keep separate accounting records and supporting documentation for use in such external audits and/or verifications as the Bank may require, and will manage the proceeds of the loan through a special bank account.

**J. External audit**

- 3.26 The Bank reserves the right to request the corresponding financial statements within 90 days after disbursement, duly audited by independent auditors previously accepted by the Bank.

**Table III-2**  
**Intermediate outcomes and aggregate impacts**

Intermediate Outcomes and Aggregate Impacts												
AREA	PROGRAM AND OBJECTIVE	OUTPUT	2002	ANNUAL TARGET 2003	% ANNUAL FULFILLMENT AS OF 3RD QUARTER 2003	OUTCOMES	BASE LINE	2002 (DURING CRISIS)	2005	EXPECTED IMPACTS	BASE LINE	2005
HEALTH	Prevention and control of diseases and specific risks. Funding for vaccination and communicable disease control	Vaccine doses distributed per year	21,500,522	28,685,832	75%	Confirmed measles cases (BL=2000)	6	0	0	Infant mortality rate (2001)	16.3%	At least equal to BL.
						Diphtheria cases in children under 5 (BL=2000)	0	0	0			
						Whooping cough cases in children under 5 (BL=2000).	515	267	257	Mortality rate for children under 5 (2001)	19.3%	At least equal to BL.
						Tetanus cases in children under 1 (BL=2000)	0	2	0			
Source		Department of Epidemiology, Ministry of Health				PAHO/WHO Basic Database				Annual Statistics, Ministry of Health		
EDUCATION	Scholarships. Income supplement to prevent dropouts	Poor students receiving scholarships	258,058	350,000	65%	Total enrollment in grades 1-7 (students of normal age and students 1 year over-age) / Total population ages 6 to 12 (BL=2000)	99%	100%	100%	Poor children ages 6-12 attending school	99.3%	At least equal to BL.
						Total enrollment in grades 8-12 (students of normal age and students 1 year over-age) / Total population ages 13 to 18 (BL=2000)	68%	71%	75%	Poor children ages 13-18 attending school	83.4%	At least equal to BL.
Source		Department of Compensatory Programs, Ministry of Education				Annual Statistics, Ministry of Education				Permanent Household Survey (EPH), May-October		
SOCIAL PROTECTION	Income for Human Development (IDH). Monthly income supplement for poor families	Number of families receiving income supplements	106,000	270,000	65%	% of GDP spent on targeted programs (BL=2002)	1.8	2.2*	2.4	Number of poor people 18 years or less Number of extremely poor people 18 years or less	69.8% 37.1%	At least equal to 52%. At least equal to 21%
Source		SIEMPRO				Department of Consolidated Social Spending, Ministry of Economic Affairs *Trend as of 1st quarter 2003.				EPH - May 2002/2005.		

## **IV. BENEFITS, FEASIBILITY, AND RISKS**

### **A. Benefits**

- 4.1 The expected benefits of the program will derive from the countercyclical nature of the activities it will support, including: (i) mitigating the impact of the crisis on the poorest population groups; (ii) preventing cuts in health, education, and social development programs for those groups; and (iii) supporting the reforms now under way.
- 4.2 Budget protection for the PSPs will help avoid further deterioration in the situation of the country's most vulnerable people, who have been severely affected by the crisis. Furthermore, strengthening the government's new social strategy will help ensure a key aspect of poverty reduction, which is the functioning of the instruments used to prioritize, coordinate, rationalize, and target the main social protection programs for the very poor.
- 4.3 Better targeting and coordination of programs for the most vulnerable groups, and improvements to participatory instruments, will boost the relevance of the activities and increase the impact of such programs on social integration and on living standards for beneficiary families. Concentrating the institutional response and emergency programs on the neediest families will also prevent increases in child labor, infant morbidity, and school dropout rates, and thereby help to break the intergenerational perpetuation of poverty.

### **B. Risks**

- 4.4 Because the loan calls for a single disbursement, and all the conditions stipulated in the Conditionality Matrix have been substantially fulfilled, there are no risks that would threaten the achievement of the program's objectives or the complete disbursement of funds. Nevertheless, the operation's design includes elements that extend beyond the disbursement period, because policy actions and the protection of PSP spending will have to be sustained for some time after the funds have been fully disbursed. There is therefore a risk that, because they are not tied to a loan disbursement and are to be financed through budget appropriations, some of those actions will not materialize. To mitigate the risk of budgetary reallocations or cutbacks in investment commitments, the validity of Administrative Decision 12 (13 February 2003) has been confirmed. That decision guarantees budgetary allocations to the PSPs, and stipulates that only the Cabinet Chief can make budgetary amendments involving the PSPs. Moreover, the policy letter establishes the government's commitment to maintain PSP allocations until the end of the year.
- 4.5 With income transfer programs, such as some of those protected by this loan, it can be difficult to suspend benefits once recipients regain their sources of income. To mitigate this risk, the operation stresses the use of targeting mechanisms, identification of beneficiaries, a single registry of recipients, and other means to

facilitate automatic cutoff of benefits for those who no longer meet the conditions of eligibility. The social oversight mechanisms supported by the loan will also help civil society to ensure that beneficiaries who are no longer eligible will leave the programs.

**C. Environmental and social considerations**

- 4.6 Consistent with the features of emergency loans, this operation will protect spending on existing programs, and does not call for any new investments. It will therefore have no direct impact on the environment, and consequently does not require an environmental impact assessment. Moreover, the actions relating to education, health, and social development policy to which the government is committed under this operation form a part of activities that already comply with the environmental policies of Argentina and the Bank, and no additional analysis is required.
- 4.7 On the social impact side, the program is expected to help protect spending on programs targeted at poor and vulnerable groups and thereby help alleviate poverty in the environment created by the emergency. Although the operation will be protecting social spending and furthering the Argentine government's efforts to strengthen its social strategy and policy, under the Bank's emergency lending guidelines it does not qualify as a poverty targeted or social equity enhancing operation.
- 4.8 As for gender considerations, the program recognizes mothers' role in halting the intergenerational bequeathing of poverty and prioritizes programs that deliver benefits directly to mothers, for instance the IDH initiative. Mothers of children entitled to benefits under that program must pledge to keep their children in school or send them to childhood development centers, where pertinent; this in turn will help boost female productivity. Women likewise stand to gain from the activities designed to enhance their employment and income prospects and those intended to increase community involvement.



**AR-0296**  
**SECTOR PROGRAM FOR SOCIAL PROTECTION AND MITIGATION OF THE IMPACT OF THE CRISIS ON THE POOR II**  
**CONDITIONALITY MATRIX**

PROBLEM	ACTIONS	IMPACT	CONDITION PRECEDENT TO DISBURSEMENT	MEANS OF VERIFICATION
<b>1. MACROECONOMIC LEVEL</b>				
The severe crisis of late 2001 disrupted the economy and generated grave social problems.	Follow-up to the agreement between Argentina and the IMF in order to restore a sustainable macroeconomic balance	Achieve macroeconomic stability with social equity	Maintenance of an appropriate macroeconomic policy framework, consistent with the objectives of this operation and the program agreed on with the IMF.	
<b>2. PROTECTION OF SOCIAL SPENDING</b>				
The crisis posed the threat of across-the-board cutbacks and significant reductions in targeted social spending, regardless of program priorities.	Protect levels of national nonwage social spending and public investment in Priority Social Programs (PSPs), selected for their impact on low-income and other vulnerable groups	Mitigate the impact from fiscal adjustment on the most vulnerable groups by maintaining spending on Priority Social Programs targeted at the poorest and most vulnerable groups.	Achievement of physical and financial targets for PSPs agreed for the third quarter of 2003, as established in the Matrix of Physical and Financial Targets and detailed in Annex II (see compliance criteria in paragraph 3.13).	List of Accrued Appropriations and Expenditures between 01/01/2003 and 30/09/2003, sections 2 and 5 (Consumer Goods and Transfers), from the Integrated Financial Data System (SIDIF), for each program and/or activity identified in the Matrix of Physical and Financial Targets (Annex II), except for the <i>Remediar</i> and "Families" programs, for which a List of Accrued Appropriations and Expenditures as of 5 November 2003 will be presented.  Administrative supporting documents for the physical targets detailed in Annex III, Means of Verification, attached

PROBLEM	ACTIONS	IMPACT	CONDITION PRECEDENT TO DISBURSEMENT	MEANS OF VERIFICATION
				to the Matrix of Physical and Financial Targets.  Administrative Decision 12 of 13/02/03 in force and updated in accordance with the Matrix of Physical and Financial Targets.
<b>3. SOCIAL POLICY EFFICIENCY AND MONITORING</b>				
<b>3.1. National Social Policy Coordination Council (CNCPS)</b>				
Inadequate coordination of the social policies and programs of different sectors	Implement interinstitutional agreements for an effective and comprehensive response to the most excluded population	Greater efficiency and effectiveness in use of resources and greater impact for social policy	Mechanism in place for coordinating social programs for different sectors nationally	Record of the CNCPS agreement.
<b>3.2 Information and registration of social program beneficiaries</b>				
The Single Registry of Beneficiaries (RUB) is still being finalized.	Make further progress in consolidating the RUB.	The RUB can be used to prevent duplication in social programs and guarantee their comprehensive coverage, complementarity, and impact.	CNCPS report on the status and coverage of the RUB, including progress in reducing duplication.	Updated report submitted for verification of the Social Protection I sector program. Report must contain an estimate of savings produced from implementing the RUB.
The capacity of the National Taxpayer and Social Identification System (SINTyS) is not being fully exploited for producing information at the provincial and local levels.	Develop and apply tools for producing and using information at the local level.	Availability of adequate and timely information for social policy planning at the local level.	Methodology for making local use of information from the SINTyS, and evidence that it is being applied.	This tool must allow users: (a) to work with the Personal Records Database for the various National Registries; and (b) to cross-reference data.
<b>3.3. Targeting and selection of beneficiaries</b>				
Little consolidation of systems for targeting and selecting beneficiaries for targeted cash transfer programs	Actions to verify and update registries and, as necessary, to steer beneficiaries to other social programs	Greater effectiveness and relevance in social programs targeted at vulnerable groups	Proposal presented for a census of beneficiaries of targeted cash transfer programs (PEC, Heads of Household, and IDH).	Proposal must include: (a) objectives and targets; (b) a data collection tool (improved version of the FIBAP) for compiling information on productive assets, changes in employability, etc.; (c) plan for

PROBLEM	ACTIONS	IMPACT	CONDITION PRECEDENT TO DISBURSEMENT	MEANS OF VERIFICATION
				fieldwork in the initial stage; and (d) description of actions to correct irregularities or errors in the registries.
<b>3.4 Evaluation</b>				
Specific shortcomings in the ability of SIEMPRO to produce timely, updated, high-quality information.	Strengthen and expand the capacity of SIEMPRO to: (i) validate its proposals for evaluating outcomes and impacts; and (ii) produce quick diagnoses for social characterization.	Availability of monitoring and evaluation tools that will provide timely, updated, high-quality information for decision making	Presentation of proposed amendments to the SIEMPRO Operating Manual to include external bodies for validating proposals and procedures for SIEMPRO activities financed by the Bank.  Terms of reference for methodological design and work plans to produce quick diagnoses for social characterization and definition of local productive profiles.	Proposed amendment to the Program Operating Manual submitted to the Bank.  Report and agreement.
<b>3.5 Social oversight</b>				
Limited mechanisms for social oversight, and the efficiency of existing mechanisms is unknown.	Promote and strengthen the Advisory Councils to improve channels of communication and dialogue between them and social program beneficiaries for the purpose of exerting effective social oversight.	Social participation and oversight bodies instituted and promoting the efficient use of public funds earmarked for social safety net programs.	Measures to strengthen the Advisory Councils in their local coordination of policies and programs and in their social oversight role in at least 3 of 7 regions in which the jurisdictions for implementing social plans have been consolidated.	Report on outcome from technical assistance workshops for Advisory Councils in the regions (workshops on multi-stakeholder approaches to strengthening social policy management)
<b>4. STRATEGIC ADVANCES BY SECTOR</b>				
<b>4.1 Health</b>				
Need to provide continuous and sustained access to essential drugs and high-quality primary health care for low-income	Launch discussion on the sustainability of the <i>Remediar</i> program and its role in strengthening primary health care	Gradual transformation of <i>Remediar</i> from an emergency program to one that, besides providing essential drugs, incorporates incentives for	Preparation and submission by the Ministry of Health to the Federal Health Council (COFESA) of a preliminary	Document prepared.  Minutes of the COFESA meeting.

PROBLEM	ACTIONS	IMPACT	CONDITION PRECEDENT TO DISBURSEMENT	MEANS OF VERIFICATION
people without insurance		strengthening primary health care	proposal for continuing the <i>Remediar</i> program, designed to guarantee essential drug supplies for the poor and uninsured, and to strengthen primary health care services for such people.	
<b>4.2 Education</b>				
Targeted technical and financial support for schools serving low-income groups is needed to mitigate the impact of the crisis on the educational performance of poor students	Improve the targeting of technical and financial resources for schools by making greater use of the system for identifying schools according to the socioeconomic needs of their student body.	Greater redistributive impact of education inputs through better targeting of financial transfers and technical assistance to schools	(i) Index of Socioeconomic Vulnerability of the School Population (IVSPE) validated; (ii) school failure indicators selected and justified; and (iii) action plan approved for making the schools database from the IVSPE and the selected school failure indicators available to policymakers in the Ministry of Education, Science, and Technology by 30/12/03.	(i) Validation report on the IVSPE, with data and analysis. (ii) Document justifying selection of school failure indicators. (iii) Action plan including activities, outputs, and timetable
<b>4.3 Social development</b>				
Programs of the Ministry of Social Development (MDS) need to be better articulated and coordinated.	Strengthen local management capacities to reduce social exclusion and to avoid duplication of efforts.	Duplication reduced and MDS programs operating more efficiently and effectively	(i) Local management diagnoses completed for at least 2 of the 7 regions; and (ii) local plans are properly funded for implementation.	(i) Diagnosis reports; and (ii) report on the budgetary status of social plans in execution.

## MATRIX of PHYSICAL and FINANCIAL TARGETS

In Argentine pesos (Arg\$)

**PROTECTED SOCIAL PROGRAMS**  
**2003 QUARTERLY PROGRAMMING**  
**MINISTRY OF EDUCATION**

					FIRST QUARTER 2003		SECOND QUARTER 2003		THIRD QUARTER 2003						FOURTH QUARTER 2003	
PROGRAM / ACTIVITY	IDENTIFICATION	TOTAL BUDGET	INDICATOR	ANNUAL PHYSICAL TARGET	QUARTERLY FINANCIAL EXECUTION	QUARTERLY PHYSICAL EXECUTION	QUARTERLY FINANCIAL EXECUTION	QUARTERLY PHYSICAL EXECUTION	QUARTERLY FINANCIAL TARGET	QUARTERLY PHYSICAL TARGET	QUARTERLY FINANCIAL EXECUTION	PERCENTAGE FULFILLMENT OF FINANCIAL TARGET	QUARTERLY PHYSICAL EXECUTION	PERCENTAGE FULFILLMENT OF PHYSICAL TARGET	QUARTERLY FINANCIAL TARGET	QUARTERLY PHYSICAL TARGET
PROGRAM 33. COMPENSATORY MEASURES IN EDUCATION																
Activities for education quality and equity	Schools provided with nutritional supplements		schools/month	10,000	15,700,000	11,302	25,820,959	11,581	16,400,000	11,581	24,852,499	151.5%	11,581	100.0%	15,626,542	11,581
	Textbooks provided for students	\$ 91,400,000	books/year	260,000											3,400,000	260,000
	Student retention projects		projects/year	8,500					2,000,000	2,800	2,000,000	100.0%	5,193	185.5%	4,000,000	3,307
Student scholarships	Scholarships for poor students	\$ 142,586,000	scholarships/year (1)	350,000	30,026,990	202,506	27,770,536	147,308	36,557,793	110,000	38,428,793	105.1%	133,245	121.1%	43,773,681	216,941
	Student retention projects		projects/year	2,017			2,586,000	2,017								
PROGRAM 37. INFRASTRUCTURE																
Works and equipment	Equipment	\$ 49,659,160	schools/year	232	6,547,574	92	6,948,460	28	18,211,541	56	17,951,585	98.6%	83	148.2%	18,211,541	56
Provision of basic services	School repairs	\$ 5,588,227	projects/year	132	0	0	1,875,925	44	1,856,151	44	1,856,151	100.0%	37	84.1%	1,856,151	44
PROGRAM 32. EDUCATION SYSTEM INFORMATION																
Education information and evaluation system	Schools integrated into database	\$ 1,759,785	schools/year	40,000		41,724	102,285	41,724	1,250,000	41,724	1,302,500	104.2%	41,180	98.7%	355,000	41,180
EDUCATION TOTAL		\$ 290,993,172			52,274,564		65,104,165		76,275,485		86,391,528	113.3%			87,222,915	

**PROTECTED SOCIAL PROGRAMS  
2003 QUARTERLY PROGRAMMING  
MINISTRY OF HEALTH**

					FIRST QUARTER 2003		SECOND QUARTER 2003		THIRD QUARTER 2003						FOURTH QUARTER 2003	
PROGRAM / ACTIVITY	IDENTIFICATION	TOTAL BUDGET	INDICATOR	ANNUAL PHYSICAL TARGET	QUARTERLY FINANCIAL EXECUTION	QUARTERLY PHYSICAL EXECUTION	QUARTERLY FINANCIAL EXECUTION	QUARTERLY PHYSICAL EXECUTION	QUARTERLY FINANCIAL TARGET	QUARTERLY PHYSICAL TARGET	QUARTERLY FINANCIAL EXECUTION	PERCENTAGE FULFILLMENT OF FINANCIAL TARGET	QUARTERLY PHYSICAL EXECUTION	PERCENTAGE FULFILLMENT OF PHYSICAL TARGET	QUARTERLY FINANCIAL TARGET	QUARTERLY PHYSICAL TARGET
PROGRAM 17. MATERNAL AND CHILD PROGRAM																
Maternal and child care	Maternal and child care	\$ 78,256,273	kg. of milk/year	6,332,066	11,725,759	1,025,641	7,487,987	403,095	37,613,697	3,923,330	38,539,204	102.46%	4,145,698	105.7%	20,503,323	980,000
	Treatment with medicines		treatments/year (2)	639,607		639,607		0		0			0	0		
	Reproductive health care		persons served/year	852,197		156,650		82,545		317,455			721,838	227.4%		295,547
PROGRAM 20. VIGIA PROGRAM																
Prevention and control of diseases and specific risks	Assistance for supplying vaccines and controlling prevalent diseases	\$ 115,592,173	doses of vaccines/year	28,685,832	5,172,769	8,187,980	5,343,736	7,626,960	6,087,321	5,800,000	8,973,668	147.42%	7,244,800	124.9%	96,102,000	7,070,892
	Epidemiological prevention and prevention of acute diseases		availability of treatment/year	11,255		2,600		2,885		2,885			2,885	100.0%		2,885
	Procurement of inputs for blood banks		kits/year (2)	1,118,000		1,118,000		0		0			0	0		
	Assistance for controlling vector-borne diseases		annual visits to municipios	2,590		384		910		648			918	141.7%		648
PROGRAM 22. LUSIDA PROGRAM																
Combating AIDS and STDs	Regular assistance with medicines	\$103,088,354	persons treated/month	17,692	19,086,636	17,153	27,132,783	17,788	23,110,940	17,870	30,456,935	131.79%	17,912	100.2%	26,412,000	17,960
PROGRAM 30. REMEDIAR PROGRAM																
Health emergency	Purchase and distribution of medicines	\$45,842,837	kits distributed/year	123,223	4,983,384	16,031	10,676,583	25,758	21,863,065	39,673	15,472,870 (1)	70.77%	43,614	109.9%	14,710,000	41,761
HEALTH TOTAL		\$ 342,779,636			40,968,547		50,641,089		88,675,023		93,442,677				157,727,323	

(1) As of 16 October 2003, 18,553,679 had been collected or 85% of the quarterly financial target. There were delays due to administrative procedures in the Ministry of Health.

**PROTECTED SOCIAL PROGRAMS  
2003 QUARTERLY PROGRAMMING  
MINISTRY OF SOCIAL DEVELOPMENT**

					FIRST QUARTER 2003		SECOND QUARTER 2003		THIRD QUARTER 2003						FOURTH QUARTER 2003	
PROGRAM / ACTIVITY	IDENTIFICATION	TOTAL BUDGET	INDICATOR	ANNUAL PHYSICAL TARGET	QUARTERLY FINANCIAL EXECUTION	QUARTERLY PHYSICAL EXECUTION	QUARTERLY FINANCIAL EXECUTION	QUARTERLY PHYSICAL EXECUTION	QUARTERLY FINANCIAL TARGET	QUARTERLY PHYSICAL TARGET	QUARTERLY FINANCIAL EXECUTION	PERCENTAGE FULFILLMENT OF FINANCIAL TARGET	QUARTERLY PHYSICAL EXECUTION	PERCENTAGE FULFILLMENT OF PHYSICAL TARGET	QUARTERLY FINANCIAL TARGET	QUARTERLY PHYSICAL TARGET
PROGRAM 25. BASIC SOCIAL RESOURCES																
Participatory Social Investment Fund (FOPAR)	Meeting the food needs of the indigent population, through community-based organizations (for children under 18, pregnant and nursing women, and persons over 60)	\$ 85,364,697	community kitchens/month	3,550	13,097,200	2,378	23,162,605	2,611	24,061,449	3,000	20,452,232	85.0%	2,642	88.1%	28,652,660	3,250
PROGRAM 28. FAMILIES PROGRAM																
Income for Human Development (IDH)	Families benefiting from (a) a monthly allowance with health and education obligations for children; and (b) community-based counseling plans for families receiving the allowances.	\$ 283,057,154	beneficiary families/month	275,000	50,637,547	174,861 (1)	57,363,543	161,522	92,042,698	236,251	69,577,380 (2)	75.6%	176,445	74.7%	105,478,684	260,000
SOCIAL DEVELOPMENT TOTAL		\$ 368,421,851			\$ 63,734,747		\$ 80,526,148		\$ 116,104,147		\$ 90,029,612	77.5%			\$ 134,131,344	
Total Protected		\$ 1,002,194,659			\$156,977,858		\$196,271,402		\$281,054,655		\$269,863,817	96.0%			\$379,081,582	

(1) This took into account the lists received for the first quarter of 2003 and the lists of persons who did receive payments for the second and third quarters of 2003.

(2) Financial execution of the IDH Program as of 15 October was Arg\$82,568,805 and, for physical execution, 217,774 families benefited, i.e. 89% fulfillment of the financial target and 92% of the physical target.

## **MEANS OF VERIFICATION OF FULFILLMENT OF PROTECTED SOCIAL PROGRAMS (PSPs)**

### **Financial targets**

List of Accrued Appropriations and Expenditures between 01/01/2003 and 30/09/2003, sections 2 and 5 (Consumer Goods and Transfers), from the Integrated Financial Data System (SIDIF), for each program and/or activity identified in the Matrix of Physical and Financial Targets (Annex II), except for the *Remediar* and “Families” programs, for which a List of Accrued Appropriations and Expenditures as of 5 November 2003 will be presented.

### **Physical targets**

#### ***Ministry of Education***

##### ***Program 33***

###### *Schools receiving nutritional supplements*

Indicator: schools/month

Proof of resources transferred to schools, according to administrative decisions identifying the schools and allocating amounts per student.

###### *Student retention projects*

Indicator: projects/year

Proof of resources transferred to schools, according to administrative decisions identifying the schools.

###### *Scholarships for poor students*

Indicator: number of student scholarships per year

Proof of transfer of resources to bank branches, according to administrative decisions.

##### ***Program 37***

###### *Works and equipment*

Indicator: schools/year

Contracts signed, identifying schools served and amounts.

###### *Provision of basic services*

Indicator: schools/year

Proof of purchase of materials, works certificates, work plan, or spreadsheet showing physical or financial progress, by school, or contract schedule with schools identified in the third quarter, supported by a signed contract predating the quarter. The means of verifying the physical target for the third quarter will depend on the status of works during the reference period (completed or under way during the quarter).



***Program 32***

*Schools integrated into the database*

Indicator: schools/year

System report identifying the number of schools registered in the database, from annual surveys with information for 2002, and types of information available.

***Ministry of Health***

***Program 17***

*Maternal-child care assistance*

Indicator: kilograms of milk/year

The national program: payment orders to the provinces. For the program financed by PROMIN (World Bank): consolidated report of contracts with fortified milk suppliers, accompanied by detailed information by supplier, and signed by the National Office of Maternal-Child Health in the Ministry of Health.

*Drugs assistance*

Indicator: treatments/year

No need for verification, since the target was fully met in the first quarter.

*Reproductive health assistance*

Indicator: persons served/year

Report from the Maternal and Child Health and Nutrition (PROMIN) program identifying the number of contraceptives delivered, by type, to each province. Breakdown by shipment.

***Program 20***

*Vaccine supply*

Indicator: doses of vaccine/year

Report from the Immunization Department of the Ministry of Health, identifying the number of doses, by type of vaccine, delivered to each province.

*Epidemiological prevention*

Indicator: availability of treatment/year

Report from the Dr. Emilio Coni National Institute for Infectious Diseases, identifying the number of doses of vaccine, by type, to each province.

*Blood bank inputs*

Indicator: kits/year

No need for verification, because the target is zero.

*Controlling vector-borne diseases*

Indicator: municipalities inspected and/or chemically controlled

Report for the Chagas and Dengue programs.

***Program 22***

*Regular drugs assistance*

Indicator: persons assisted/month

Note on the number of beneficiaries under the program.

***Program 30***

*Purchase of drugs*

Indicator: kits distributed/year

Report from the Primary Healthcare Program (PROAPS) summarizing the number of kits delivered to each province, with records showing remittance serial numbers and date.

***Ministry of Social Development***

***Program 42***

*FOPAR*

Indicator: community kitchens/month

Evidence of transfer of funds to community organizations

***Program 28***

*IDH*

Indicator: beneficiary families/month

External audit report for the IDH program

Community activities plan for counseling and help to families receiving allowances

Indicator: community plans/month

Agreement with local administrative organizations